

The Purchasing Post

Benefits of Encumbering

The purpose of encumbering funds is to have money available for a future invoice. Budget is the overall plan, a listing of the income of revenue and the outflow of expenditures within a certain time frame. Encumbering is the act of setting aside or earmarking money for a known purchase or obligation within the budget. Traditionally, when a purchase order is placed, the money is encumbered at that time to insure the funds are there to pay the bill once the item has been received. Another benefit of encumbering is to give one a better overview of the bottom line. For example, there may be \$20,000 in the checking account, but \$15,000 is committed to pay for the vehicle just ordered.

Now with that introduction, be advised that the Div. of Financial Services/Purchasing Office will no longer encumber funds on orders placed by this office, effective July 1, 2011. K-State operates as a decentralized organization. The bulk of purchases and payments occur at the department level, so the funds encumbered at the central level are a small representation of the funds actually being spent &/or committed. Especially during the course of the year, the order is placed, money encumbered, item received, invoice paid and encumbrance liquidated, within a short time frame. The encumbering process did not serve any real purpose. When considering the problems of changing an encumbrance, such as project number or object code, the additional paperwork becomes even more cumbersome for the department and Financial Services. Therefore it has been determined to be in the University's best interest to no longer encumber funds centrally.

Purchasing will continue to encumber funds for the major construction projects which involve several fiscal years. As for the remaining orders and contracts that Purchasing issues on department's behalf, the departments are encouraged to earmark their funds locally.



Financial Services Fiscal Year 2011 Wrap-Up Dates

June 15 – Interfund vouchers created by department to another State agency.

June 21 – Payment vouchers: APV, Travel, Interdepartmental, Procurement Card

June 24 – KSU Encumbrance forms, interfund vouchers created by other State agencies.

June 28 @ Noon – Expedite vouchers

June 29 – Payment transfers

**JULY 1
HAPPY NEW YEAR!**

